

SECRET

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Key Issues for India

1. Since her return to power in early 1980, Prime Minister Gandhi has reasserted strong personal control over foreign and domestic policymaking, reserving all major decisions for herself. Gandhi is grooming her elder son Rajiv as her successor. Whether Rajiv has the necessary motivation and political acumen to retain control when Gandhi retires or dies is still unclear. [REDACTED]

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3. Caste and communal violence, secessionist regional movements such as that among Sikhs in the Punjab, and farmer protests demanding higher agricultural product prices, appear to be increasing in incidence and severity. These civil disturbances, in our view, do not now threaten India's stability or national integrity. [REDACTED]

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4. A third of the population is still malnourished despite gains in rice and wheat production. Chronic electricity shortages inhibit full use of India's sophisticated industrial base. Economic growth is likely to stagnate this year as a result of floods, inadequate rainfall and labor disruptions. Gandhi has eased government restrictions of foreign trade, investment and international commercial borrowing. New Delhi now receives substantial support from the IMF but hopes for new oil discoveries in order to avoid severe balance of payments strains after 1985. [REDACTED]

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5. Gandhi's foreign policy stresses India's nonalignment and her desire to minimize superpower intervention in regional affairs. Recent moves to improve Indo-US relations and to reduce tensions with China and Pakistan reflect in part her wish to counter India's image as a Soviet proxy and to diversify sources of arms. Unresolved problems include the potential Pakistani nuclear threat, the continuing dispute with Islamabad over Kashmir, a preoccupation with the potential for Chinese expansionism in South and Southeast Asia, and the perceived need for continued reliance on the USSR which limits Gandhi's foreign policy flexibility. [REDACTED]

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